



FEDERAL AVIATION ADMINISTRATION (FAA) ADMINISTRATIVE SERVICE FRANCHISE FUND

BACKGROUND/ FUND ESTABLISHMENT

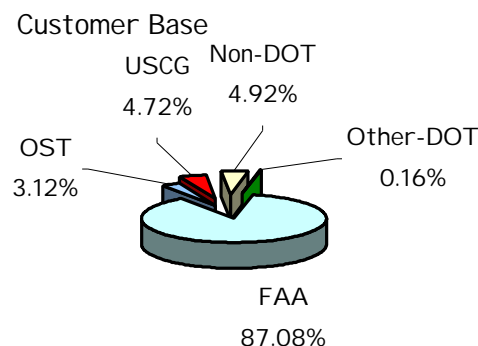
The franchise concept is designed to create competition within the public sector for the performance of a variety of support services. This allows for the establishment of an environment to maximize the use of internal resources through the consolidation and joint-use of like functions and to gain the efficiencies and economies of scale associated with the competitive offering of services to other Government agencies.

The Government Management Reform Act (GMRA) of 1994, Public Law 103-356, provided for the establishment of six franchise fund pilot programs. The six pilots were authorized by the President's Chief Financial Officers (CFO) Council prior to submission of the FAA Franchise Fund proposal. However, the CFO Council's Franchise Fund Working Group strongly endorsed the FAA proposal, and recommended submission to Congress as a franchise-like operation. This endorsement resulted in Congressional approval, and the Administrative Services Franchise Fund was established in FY 1997.

SERVICES

The Administrative Services Fund offers a wide variety of services. These include international training, accounting, payroll, travel, duplicating, multi media, information technology, and management training. In addition, new services are planned for subsequent years including logistics support in FY 2000.

The customer base for Franchise fund services includes DOT and non-DOT government agencies. The FY 1998 revenue percentages by customer is identified in the following pie chart



BENEFITS/ACCOMPLISHMENTS

Benefits from the franchise environment occur incrementally over time through efficiencies and economies of scale associated with development of partnerships and consolidation of like functions plus the addition of new customers. During the first two years of operation, activities within the Administrative Services Franchise Fund have identified a number of advantages, benefits, and results from participation in the fund. The general impacts/benefits are:

- A more business-like orientation.
- Customer driven decisions.
- Emphasis on the cost of doing business and the full recovery of costs.
- Reduction in the delivery price of some products/services.
- Flexibility of the revolving fund environment including reduction of year-end crunch.
- Use of retained earnings to build a base for equipment upgrades, improved services, etc.
- Renewed employee enthusiasm and the sense of challenge.
- Development and refinement of specific measurement processes.
- Identification of partnering/consolidation opportunities.
- Development of a set of operating principles for entrepreneurial activities.

Additional Supplemental Information

Specific accomplishments include:

- Centralized/consolidated the international training activities at the FAA Academy at no additional cost.
- Increased FAA influence on global aviation system and improvement of overall safety through advancement of the international training program.
- Absorption of a reduction in the printing budget allocation with no commensurate reduction in service level.
- Consolidation of two services (multi media and printing) into one division with a single manager (instead of two) resulting in ability to shift resources to the working level.
- Purchase of equipment upgrades in printing and multi media to improve technology, increase capability, and replace worn-out units through use of the retained earnings provisions of the revolving fund. This resulted in improved service delivery and would not have been possible using the annual appropriation cycle alone.
- A cost avoidance of approximately \$2.8 million annually due to significantly lower prices than local quick print competitors (\$0.025 versus \$0.07 per impression).
- A proposed reduction in cost per impression from \$0.025 to \$0.023 (8 percent) in FY 1999 resulting from efficiencies gained through new

technology and economies of scale associated with new customers and increased product output.

- Projected savings of \$40,000 in FY 1999 maintenance costs through movement of mainframe printing to the printing and distribution team from another organization. Reduction of payroll technician personal compensation and benefit cost per payroll account by 17.5 percent over two years.
- Addition of a new customer for permanent change of station (PCS) processing and laid the groundwork for centralization of PCS processing within the agency.
- Negotiated an agreement with a new customer for collections processing.

FY 1998 FUND ACTIVITY

The fund provided services totaling \$21,667 thousand in FY 1998. The graphic below is a presentation of the distribution of customer reimbursement by service activity for FY 1998.

In addition, collections of 615K were made during FY 1998 for services to be performed in FY 1999. The breakdown of this 615K deferred revenue is: 274K deferred revenue collected by International and Management Training; 204K deferred revenue collected by Multimedia & Information Technology, and 137K deferred revenue collected by Financial Services. Additional fund information is presented in the FY 1998 FAA Annual Report.

FY 1998 Services Points

